

Best Practice-Fraud Prevention

“The single most important step that can be taken to **prevent fraud** is...to establish and maintain an **effective internal control structure.**”



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Best Practice-Fraud Prevention

Segregation of Duties

“The single most important step that can be taken to **prevent fraud** is...to establish and maintain an **effective internal control structure**.”

“The **segregation of incompatible duties** means that no employee should be in a position to both commit an irregularity and conceal it.”



Government Finance Officers Association

Utah State Code

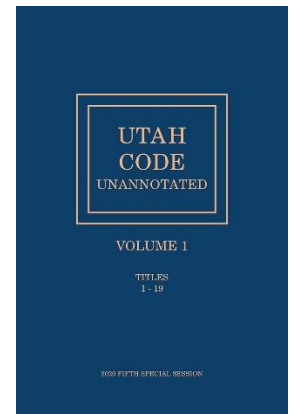
“The **objectives of the internal control structure** shall be to ensure the appropriate **segregation** of:

- (i) the duty to **authorize transactions**;
- (ii) the duty to **record transactions**, and
- (iii) the duty to **maintain custody of assets.**”



(Uniform Fiscal Procedures Act, 17-36-45)

Utah State Code



Authorize – Approval of transaction

- Checks, POs, Budget, CAFR

Record – Documentation of transaction

- “Keep the books”

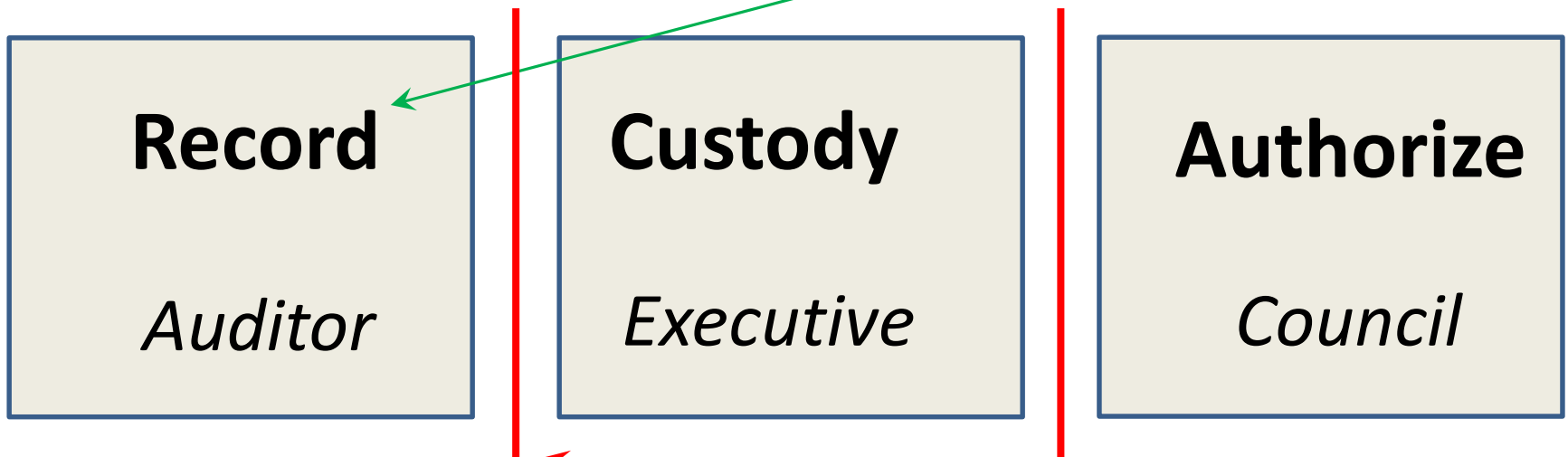
Custody – Responsibility for the assets

- Maintenance, Oversight, Accountability

ACCOUNTING SERVICES

Impact on **Executive-Council** form (Salt Lake, Cache)

Legislative body can assign accounting services to any office (in SL Co, Mayor's office), or can outsource.

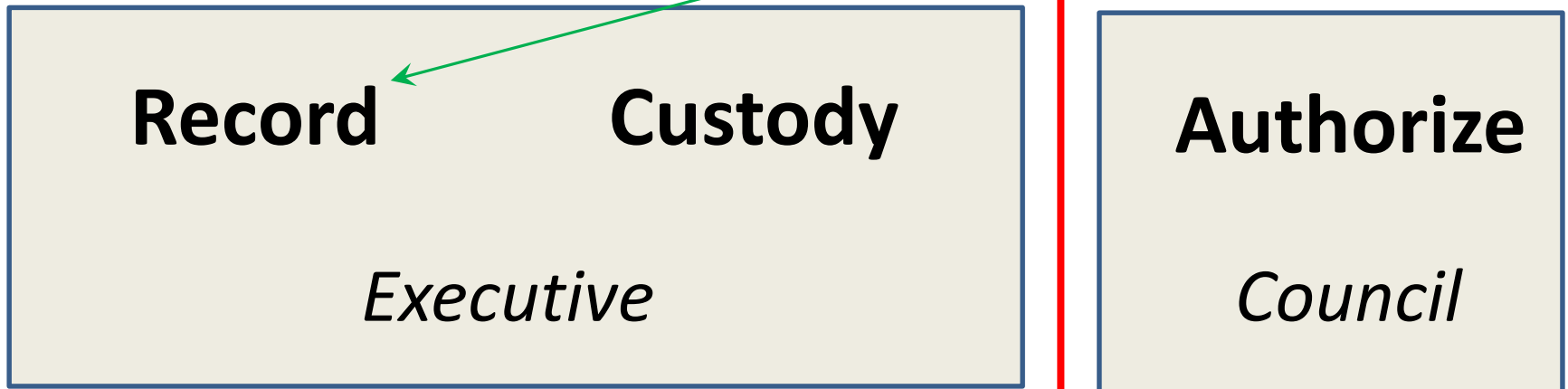


Internal Control Structure Point – Segregation of Duties

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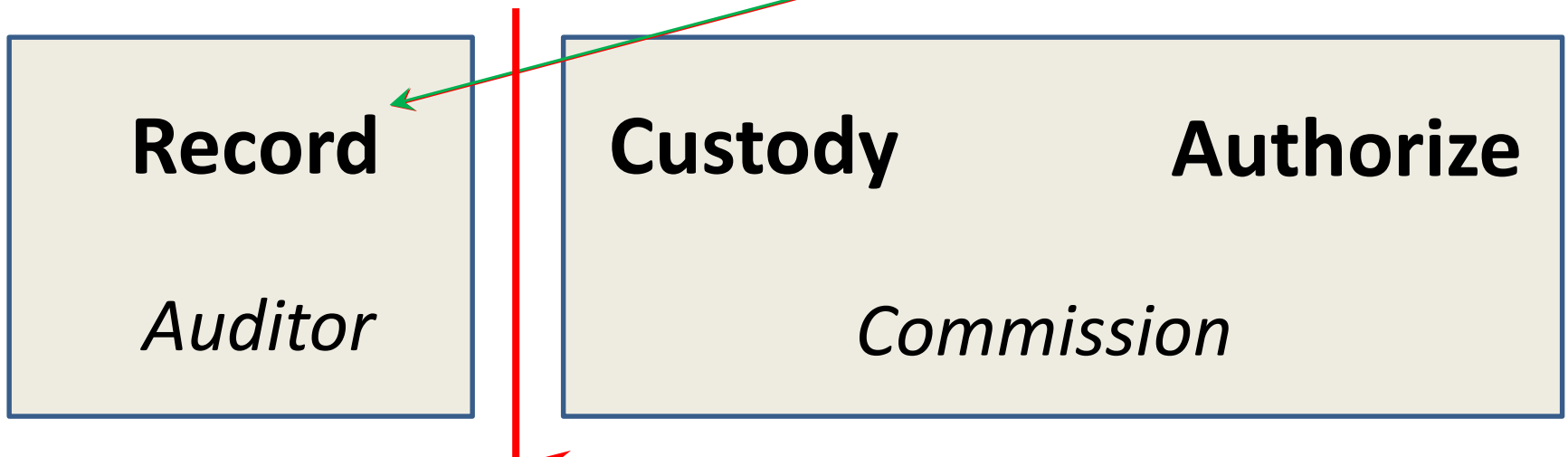


Internal Control Structure Point - Segregation of Duties

ACCOUNTING SERVICES

Impact on **Commission/Council-Mgr.** forms (all other counties)

Legislative body can assign accounting services to any office (i.e., Commission office), or can outsource.

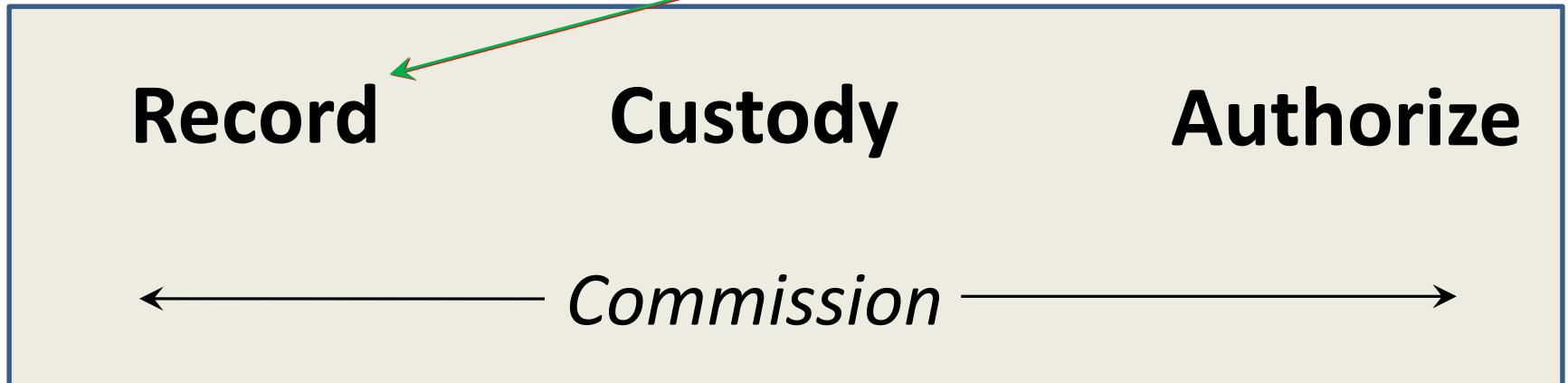


Internal Control Structure Point ⊥ Segregation of Duties

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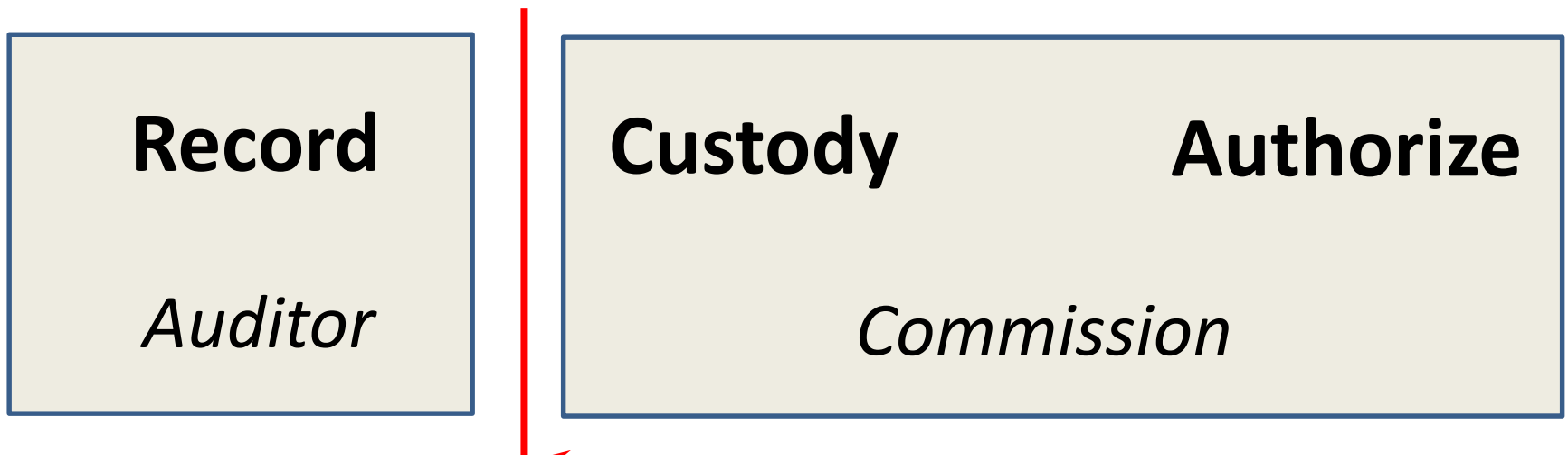


Where is the
Internal Control Structure Point – Segregation of Duties?

ACCOUNTING SERVICES

Let's fix it! (**Commission/Council-Mgr.** forms)

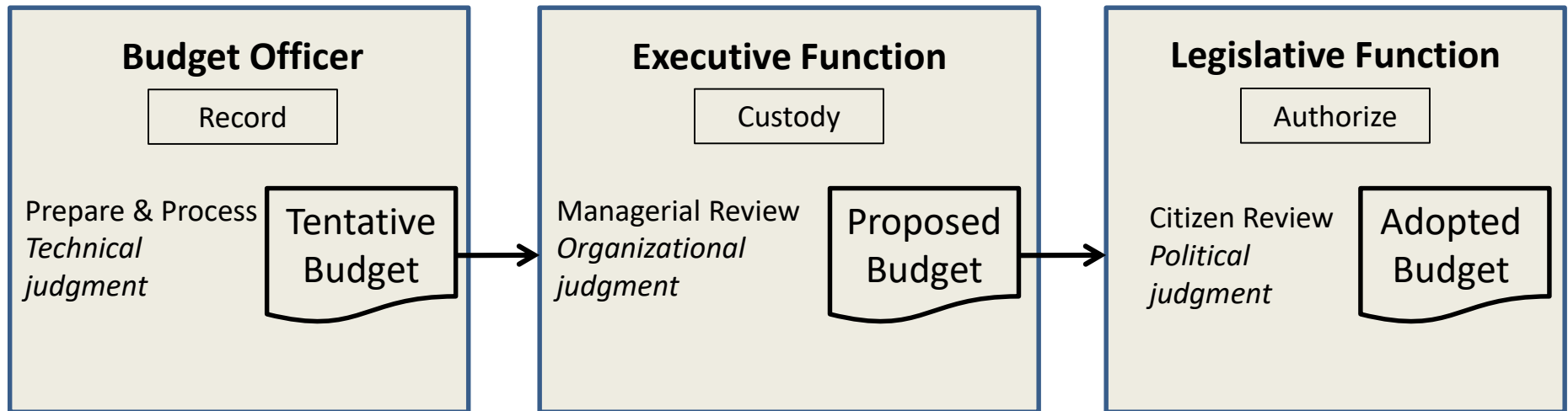
Reestablish the internal control structure point and segregation of duties.



Internal Control Structure Point ⊥ Segregation of Duties

BUDGET PROCESSES AND ROLES

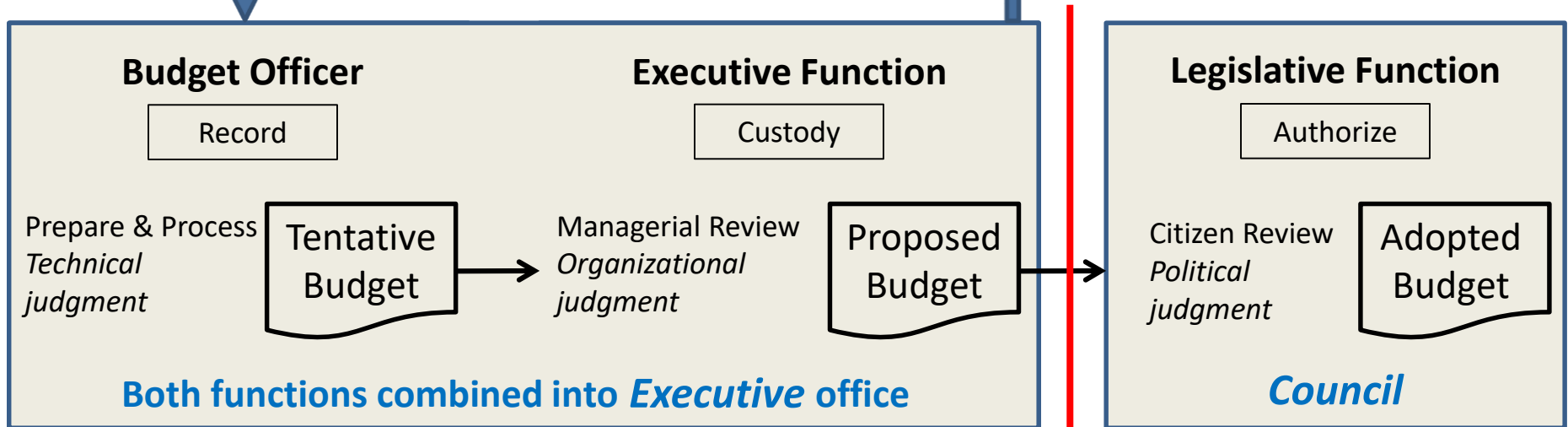
State Code 17-52-401



BUDGET PROCESSES AND ROLES

Impact on **Executive-Council** form (Salt Lake, Cache)

Executive can designate
who the Budget Officer is



Internal Control Structure Point - Segregation of Duties



"OK" for this form of government.

- **Government Finance Officers Association (GFOA)**

BUDGET PROCESSES AND ROLES

Impact on **Commission/Council-Mgr.** forms

Commission/Council can designate
who the Budget Officer is



Budget Officer

Record

Executive Function

Custody

Legislative Function

Authorize

Prepare & Process
Technical judgment

Tentative
Budget

Managerial Review
Organizational judgment

Proposed
Budget

Citizen Review
Political judgment

Adopted
Budget

ALL functions could be combined into the Commission office

Where is the
Internal Control Structure Point – Segregation of Duties?

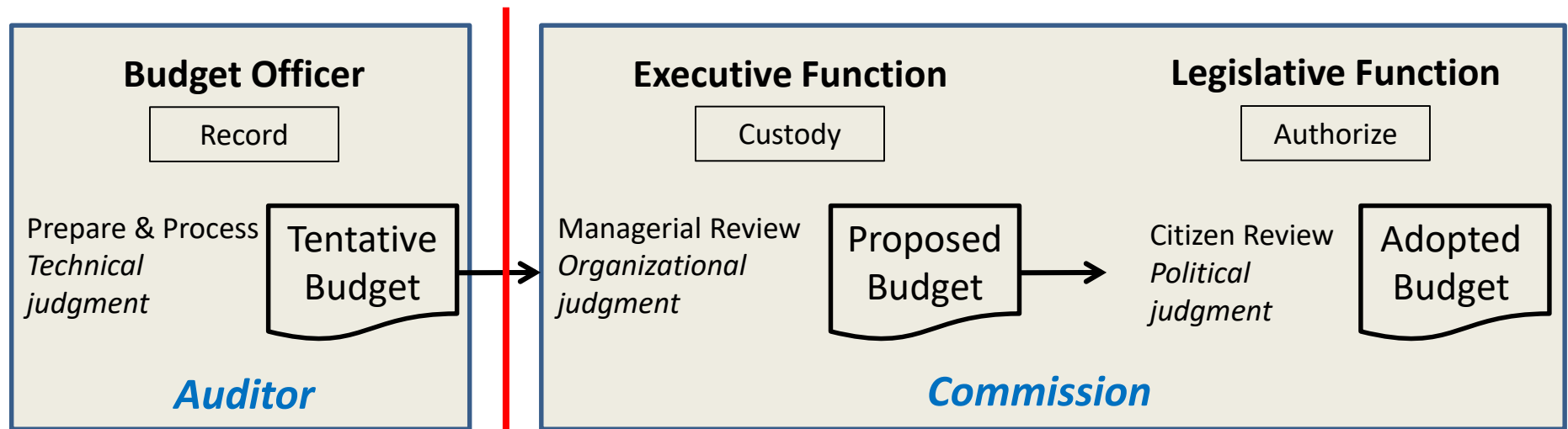


“It would be invalid to apply our recommendations for Salt Lake County to a commission form of government.”

- Government Finance Officers Association (GFOA)

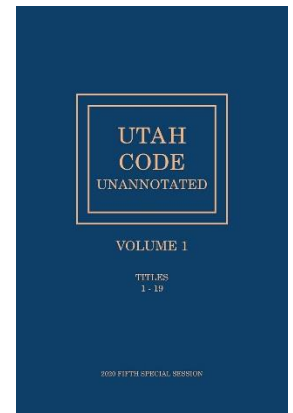
BUDGET PROCESSES AND ROLES

Let's fix it! (**Commission/Council-Mgr.** forms)



Internal Control Structure Point — Segregation of Duties

Utah State Code



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(Uniform Fiscal Procedures Act, 17-36-45)

WHAT TO DO?

Base the internal control structure on the *form* of the government, not the *size*.

For **Commission/Council-Mgr.** forms:

- Remove delegation authority from the legislative function regarding
 1. Accounting Services
 2. Budget Officer Function

This reestablishes a segregation of duties of
Recording, Authorizing, and Custody.

For **ALL** forms:

- Improve budget and finance-related collaboration between the county auditor and executive and legislative office(s) (UAC)